



General Assembly

January Session, 2003

Committee Bill No. 739

LCO No. 4413

Referred to Committee on Human Services

Introduced by:
(HS)

**AN ACT CONCERNING RATES PAID BY THE DEPARTMENT OF
SOCIAL SERVICES FOR HOSPITAL INPATIENT, OUTPATIENT AND
MENTAL HEALTH SERVICES.**

Be it enacted by the Senate and House of Representatives in General
Assembly convened:

1 Section 1. Section 17b-239 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2003*):

3 (a) The rate to be paid by the state to hospitals receiving
4 appropriations granted by the General Assembly and to freestanding
5 chronic disease hospitals, providing services to persons aided or cared
6 for by the state for routine services furnished to state patients, shall be
7 based upon reasonable cost to such hospital, or the charge to the
8 general public for ward services or the lowest charge for semiprivate
9 services if the hospital has no ward facilities, imposed by such
10 hospital, whichever is lowest, except to the extent, if any, that the
11 commissioner determines that a greater amount is appropriate in the
12 case of hospitals serving a disproportionate share of indigent patients.
13 Such rate shall be promulgated annually by the Commissioner of
14 Social Services. Nothing contained herein shall authorize a payment by
15 the state for such services to any such hospital in excess of the charges

16 made by such hospital for comparable services to the general public.
17 Notwithstanding the provisions of this section, for the rate period
18 beginning July 1, 2000, rates paid to freestanding chronic disease
19 hospitals and freestanding psychiatric hospitals shall be increased by
20 three per cent. For the rate period beginning July 1, 2001, a
21 freestanding chronic disease hospital or freestanding psychiatric
22 hospital shall receive a rate that is two and one-half per cent more than
23 the rate it received in the prior fiscal year and such rate shall remain
24 effective until December 31, 2002. Effective January 1, 2003, a
25 freestanding chronic disease hospital or freestanding psychiatric
26 hospital shall receive a rate that is two per cent more than the rate it
27 received in the prior fiscal year. Notwithstanding the provisions of this
28 subsection, for the period commencing July 1, 2001, and ending June
29 30, 2003, the commissioner may pay an additional total of no more
30 than three hundred thousand dollars annually for services provided to
31 long-term ventilator patients. For purposes of this subsection, "long-
32 term ventilator patient" means any patient at a freestanding chronic
33 disease hospital on a ventilator for a total of sixty days or more in any
34 consecutive twelve-month period.

35 (b) Effective October 1, 1991, the rate to be paid by the state for the
36 cost of special services rendered by such hospitals shall be established
37 annually by the commissioner for each such hospital based on the
38 reasonable cost to each hospital of such services furnished to state
39 patients. Nothing contained herein shall authorize a payment by the
40 state for such services to any such hospital in excess of the charges
41 made by such hospital for comparable services to the general public.

42 (c) The term "reasonable cost" as used in this section means the cost
43 of care furnished such patients by an efficient and economically
44 operated facility, computed in accordance with accepted principles of
45 hospital cost reimbursement. The commissioner may adjust the rate of
46 payment established under the provisions of this section for the year
47 during which services are furnished to reflect fluctuations in hospital
48 costs. Such adjustment may be made prospectively to cover anticipated

49 fluctuations or may be made retroactive to any date subsequent to the
50 date of the initial rate determination for such year or in such other
51 manner as may be determined by the commissioner. In determining
52 "reasonable cost" the commissioner may give due consideration to
53 allowances for fully or partially unpaid bills, reasonable costs
54 mandated by collective bargaining agreements with certified collective
55 bargaining agents or other agreements between the employer and
56 employees, provided "employees" shall not include persons employed
57 as managers or chief administrators, requirements for working capital
58 and cost of development of new services, including additions to and
59 replacement of facilities and equipment. The commissioner shall not
60 give consideration to amounts paid by the facilities to employees as
61 salary, or to attorneys or consultants as fees, where the responsibility
62 of the employees, attorneys or consultants is to persuade or seek to
63 persuade the other employees of the facility to support or oppose
64 unionization. Nothing in this subsection shall prohibit the
65 commissioner from considering amounts paid for legal counsel related
66 to the negotiation of collective bargaining agreements, the settlement
67 of grievances or normal administration of labor relations.

68 (d) The state shall also pay to such hospitals for each outpatient
69 clinic and emergency room visit a reasonable rate to be established
70 annually by the commissioner for each hospital, such rate to be
71 determined by the reasonable cost of such services. The emergency
72 room visit rates in effect June 30, 1991, shall remain in effect through
73 June 30, 1993, except those which would have been decreased effective
74 July 1, 1991, or July 1, 1992, shall be decreased. Nothing contained
75 herein shall authorize a payment by the state for such services to any
76 hospital in excess of the charges made by such hospital for comparable
77 services to the general public. For those outpatient hospital services
78 paid on the basis of a ratio of cost to charges, the ratios in effect June
79 30, 1991, shall be reduced effective July 1, 1991, by the most recent
80 annual increase in the consumer price index for medical care. For those
81 outpatient hospital services paid on the basis of a ratio of cost to
82 charges, the ratios computed to be effective July 1, 1994, shall be

83 reduced by the most recent annual increase in the consumer price
84 index for medical care. The emergency room visit rates in effect June
85 30, 1994, shall remain in effect through December 31, 1994. The
86 Commissioner of Social Services shall establish a fee schedule for
87 outpatient hospital services to be effective on and after January 1, 1995.
88 Except with respect to the rate periods beginning July 1, 1999, and July
89 1, 2000, such fee schedule shall be adjusted annually beginning July 1,
90 1996, to reflect necessary increases in the cost of services.
91 [Notwithstanding the provisions of this subsection, the] The fee
92 schedule for the rate period beginning July 1, 2000, shall be increased
93 by ten and one-half per cent, effective June 1, 2001. Notwithstanding
94 the provisions of this subsection, for the rate period beginning July 1,
95 2003, the fee schedule shall be increased by ten per cent except for
96 outpatient clinic visits. The fee schedule for outpatient clinic visits shall
97 be increased to a rate equal to the average rate paid to physicians
98 providing similar services under Medicare Part B.

99 (e) The commissioner shall adopt regulations, in accordance with
100 the provisions of chapter 54, establishing criteria for defining
101 emergency and nonemergency visits to hospital emergency rooms. All
102 nonemergency visits to hospital emergency rooms shall be paid at the
103 hospital's outpatient clinic services rate. Nothing contained in this
104 subsection or the regulations adopted hereunder shall authorize a
105 payment by the state for such services to any hospital in excess of the
106 charges made by such hospital for comparable services to the general
107 public.

108 (f) On and after October 1, 1984, the state shall pay to an acute care
109 general hospital for the inpatient care of a patient who no longer
110 requires acute care a rate determined by the following schedule: For
111 the first seven days following certification that the patient no longer
112 requires acute care the state shall pay the hospital at a rate of fifty per
113 cent of the hospital's actual cost; for the second seven-day period
114 following certification that the patient no longer requires acute care the
115 state shall pay seventy-five per cent of the hospital's actual cost; for the

116 third seven-day period following certification that the patient no
117 longer requires acute care and for any period of time thereafter, the
118 state shall pay the hospital at a rate of one hundred per cent of the
119 hospital's actual cost. On and after July 1, 1995, no payment shall be
120 made by the state to an acute care general hospital for the inpatient
121 care of a patient who no longer requires acute care and is eligible for
122 Medicare unless the hospital does not obtain reimbursement from
123 Medicare for that stay.

124 (g) Effective June 1, 2001, the commissioner shall establish inpatient
125 hospital rates in accordance with the method specified in regulations
126 adopted pursuant to this section and applied for the rate period
127 beginning October 1, 2000, except that the commissioner shall update
128 each hospital's target amount per discharge to the actual allowable cost
129 per discharge based upon the 1999 cost report filing multiplied by
130 sixty-two and one-half per cent if such amount is higher than the target
131 amount per discharge for the rate period beginning October 1, 2000, as
132 adjusted for the ten per cent incentive identified in Section 4005 of
133 Public Law 101-508. If a hospital's rate is increased pursuant to this
134 subsection, the hospital shall not receive the ten per cent incentive
135 identified in Section 4005 of Public Law 101-508. For rate periods
136 beginning October 1, 2001, [and October 1, 2002,] the commissioner
137 shall not apply an annual adjustment factor to the target amount per
138 discharge. For the rate period beginning October 1, 2004, the
139 commissioner shall update each hospital's target amount per discharge
140 to the actual allowable cost per discharge based upon the 2001 cost
141 report filing multiplied by eighty per cent. For the rate period
142 beginning October 1, 2005, the commissioner shall update each
143 hospital's target amount per discharge to the actual allowable cost per
144 discharge based upon the 2003 cost report filing multiplied by one
145 hundred per cent. For purposes of this subsection, determinations of
146 hospital cost shall be made using accepted Medicare cost-finding
147 principles.

148 (h) For the rate period beginning July 1, 2003, and for each

149 succeeding rate period, the commissioner shall establish a schedule of
 150 rates for hospital outpatient mental health services, which shall be
 151 equal to ninety per cent of the Medicare physician fee schedule in
 152 effect on the first day of such rate periods.

153 (i) For the rate period beginning July 1, 2003, the commissioner shall
 154 establish a rate schedule for partial hospitalization services provided
 155 by acute care hospitals that is equal to the rate schedule for similar
 156 services provided by private psychiatric hospitals.

157 Sec. 2. Subsection (b) of section 17b-263 of the general statutes is
 158 repealed and the following is substituted in lieu thereof (*Effective July*
 159 *1, 2003*):

160 (b) The rate paid for hospital outpatient mental health therapy
 161 services, except for partial hospitalization and other comprehensive
 162 services as defined by the commissioner, shall be that established in
 163 subsection [(d)] (h) of section 17b-239, as amended by this act, for an
 164 outpatient clinic visit. Payment for partial hospitalization services in
 165 accordance with subsection (i) of section 17b-239, as amended by this
 166 act, shall be considered payment in full for all outpatient mental health
 167 services.

168 Sec. 3. (NEW) (*Effective July 1, 2003*) For the rate period beginning
 169 July 1, 2003, and for each succeeding rate period, the Commissioner of
 170 Social Services shall establish a fee schedule for outpatient mental
 171 health services provided by an outpatient clinic, which shall be equal
 172 to ninety per cent of the Medicare physician fee schedule in effect on
 173 the first day of such rate periods, as established pursuant to 42 USC
 174 1395w-4(a), as from time to time amended.

This act shall take effect as follows:	
Section 1	<i>July 1, 2003</i>
Sec. 2	<i>July 1, 2003</i>
Sec. 3	<i>July 1, 2003</i>

HS *Joint Favorable*